



## Benefits from the U.S.-Korea Trade Agreement

### California

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#### The U.S.-Korea Trade Agreement (KORUS) Will Help Grow the U.S. Economy & Support U.S. Jobs

The impact of the eliminations of tariffs and related barriers is estimated to increase U.S. GDP by nearly \$12 billion and U.S. goods exports by nearly \$11 billion annually. Adding to this would be new exports of U.S. services, where U.S. firms exported \$12.6 billion to Korea in 2009. Together, these export opportunities support the President's National Export Initiative goal of doubling exports by 2015.

#### KORUS is Essential to Ensuring U.S. Competitiveness in Korea and Throughout Asia

Ten years ago, the United States was the top exporter to Korea providing one-fifth of all Korean imports; now we are in third place with less than 10% market share.

- U.S. exporters to Korea currently pay an average 6.2 percent tariff, or nearly \$1.3 billion a year, to Korea through tariffs on industrial goods.
- Korean exporters to the United States currently face an average 2.8 percent tariff.
- On the first day of the European Union (EU) - Korea FTA, 85% of Korean tariffs on EU products will go to zero.
- Chinese products in Korea benefit from lower transportation and labor costs.

Implementing KORUS can help U.S. businesses and their workers stem this downward slide by making U.S. products more competitive in the Korean market.

- Tariff elimination for over 95 percent of U.S. exports of consumer and industrial products within five years.
- Tariff elimination for nearly two-thirds of U.S. agricultural exports immediately on entry into force.
- Significant new market access for U.S. service suppliers.
- Extensive elimination of non-tariff barriers, including in the autos sector.
- Tariff eliminations and strong transparency obligations will facilitate SME exports.

#### California Depends on World Markets

California's export shipments of merchandise in 2009 totaled \$120 billion, ranking California second only to Texas (\$163 billion) among the states in terms of total exports in 2009.

- Exports of manufactured goods support an estimated 738,000 jobs in California. (2008 data are the latest available.)
- Nearly one-quarter (23.7 percent) of all manufacturing workers in California depend on exports for their jobs.
- A total of 59,998 companies exported goods from California locations in 2008.
- 57,461 of California exporting firms were small and medium-sized enterprises (SMEs), with fewer than 500 employees.
- SMEs generated more than two-fifths (44 percent) of California's total exports of merchandise in 2008.

#### Trade Works for California

Recently implemented trade agreements have benefited California. For example, since the U.S.-Chile trade agreement entry into force in 2004, California's exports to Chile have grown by 439 percent. In the first five years of the U.S.-Australia trade agreement (2005-2009), California's exports to Australia have increased by 52 percent. KORUS can similarly benefit California.



Source: U.S. Department of Commerce, International Trade Administration

## KORUS Opens New Markets for Key California Exports

**Computers and Electronics Products** – California businesses exported on average \$1.9 billion per year in computers and electronics products to Korea between 2007 and 2009. Top U.S. exports in this sector included digital integrated circuitry, semiconductors, semiconductor manufacturing equipment, telecommunications equipment, radio and television parts, static converters, and magnetic tape. Korean tariffs range between zero and 13 percent. KORUS improves market access for computers and electronics products. With the immediate removal of many of these tariffs, U.S. exports will become much more competitive and affordable to Koreans.

**Machinery Manufactures** – Machinery manufactures exports from California to Korea averaged \$ 1.2 billion per year between 2007 and 2009. Many machinery manufactures will receive duty-free treatment immediately upon entry into force of the agreement, including products such as refrigeration compressors, valves, renewable energy equipment, air pollution control equipment (pumps), water filtering and purifying equipment, and piston engines and engine parts. One hundred percent of agricultural and construction equipment, including tractors, lawn mowers, straw balers, conveyors, loaders, bulldozers, mechanical shovels, boring and sinking machinery, derricks, and dumpers, will continue to receive duty-free treatment. The elimination of Korean tariffs on U.S. machinery manufactures will provide a competitive boost to U.S. exporters, who will no longer face tariffs as high as 13 percent.

**Transportation Equipment** – Transportation equipment is an important California export. In 2007-2009, California exported \$603 million in transportation equipment to Korea on average. U.S. exporters of transportation equipment, including autos, auto parts, aircraft, fishing vessels, locomotives, and other transportation manufactures, will benefit from KORUS tariff reductions. Duties on most transportation equipment products will be eliminated immediately, including duties on nearly 74 percent of automotive exports and over 92 percent of aircraft and related parts. Duties on nearly 99 percent of shipping and transportation equipment will be eliminated immediately, with duties on a very small group of these products to be eliminated over three, five, or ten years.

## KORUS Creates Opportunities for California's Agriculture

California's agricultural exports to all countries, estimated at \$12.5 billion in 2009, supported about 100,000 jobs, both on and off the farm. These export sales make an important contribution to California's farm economy, which had total cash receipts of \$34.8 billion in 2009. KORUS eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for U.S. agricultural products like those produced in California such as dairy, beef, vegetables, fruits, and tree nuts. With immediate elimination of duties on nearly two-thirds of U.S. agricultural exports to Korea, KORUS gives U.S. exporters improved access to the Korean market for many of the products that have been highly protected.

For more information on agricultural exports and KORUS, see the fact sheets posted by the U.S. Department of Agriculture at: <http://www.fas.usda.gov/itp/us-koreata.asp>

All state export data in this report are based on the Origin of Movement (OM) series. This series allocates exports to state based on transportation origin, i.e., the state from which goods began their journey to the port (or other point) of exit from the United States. The transportation origin of exports is not always the same as the location where the goods were produced. Thus conclusions about "export production" in a state should not be made solely on the basis of the OM state export figures.

Sources: Bureau of the Census, U.S. Department of Commerce, Origin of Movement Series; U.S. Department of Agriculture.

Prepared by the U.S. Department of Commerce, International Trade Administration.